

RECORDATION NO.

13060

RECORDATION NO.

13060-A

RECORDATION NO.

13060-B

APR 22 1981-9 22 AM

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APR 22 1981-9 20 AM

INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE
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No. 1
Date APR 22 1981
Fee \$ 100.00

ICC Washington, D. C.

RECORDATION NO.

13060-C

APR 22 1981-9 20 AM

INTERSTATE COMMERCE COMMISSION

April 21, 1981

Chicago and North Western Transportation CompanyLease Financing Dated as of March 15, 198115-1/8% Conditional Sale IndebtednessDue August 1, 1996

[CS&M Ref.: 2044-092]

Dear Madam:

Pursuant to 49 U.S.C. § 11303(a), I enclose here with on behalf of Chicago and North Western Transportation Company for filing and recordation counterparts of the following documents:

1. (a) Conditional Sale Agreement dated as of March 15, 1981, between The Connecticut Bank and Trust Company, as Trustee, and Greenville Steel Car Company as Builder; and

(b) Agreement and Assignment dated as of March 15, 1981, between Greenville Steel Car Company, as Builder, and Mercantile-Safe Deposit and Trust Company, as Agent.

2. (a) Lease of Railroad Equipment dated as of March 15, 1981, between Chicago and North Western Transportation Company, as Lessee, and The Connecticut Bank and Trust Company, as Trustee; and

(b) Assignment of Lease and Agreement dated as of

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FEE OF OPERATION
U.S.C.

RECEIVED

New Member

- A

- B

- C

Chambers -
Wm. H. Freeman

March 15, 1981, between The Connecticut Bank and Trust Company, as Trustee, and Mercantile-Safe Deposit and Trust Company, as Agent.

The names and addresses of the parties to the aforementioned Agreements are as follows:

(1) Agent-Vendor-Assignee:

Mercantile-Safe Deposit and Trust Company
P. O. Box 2258
Baltimore, Maryland 21203

(2) Trustee-Vendee-Lessor:

The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115

(3) Builder-Vendor:

Greenville Steel Car Company
P. O. Box 751
Greenville, Pennsylvania 16125

(4) Lessee:

Chicago and North Western
Transportation Company
400 West Madison Street
Chicago, Illinois 60606

Please file and record the documents referred to in this letter and index them under the names of the Agent-Vendor-Assignee, the Trustee-Vendee-Lessor, the Builder-Vendor and the Lessee.

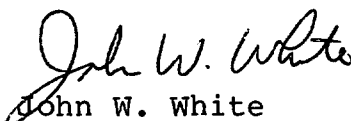
The equipment covered by the aforementioned documents consists of:

350 3300 cu. ft. covered hopper cars, AAR mechanical designation, LO, bearing identifying numbers CNW 169000-CNW 169349, both inclusive, and also bears the legend "Ownership Subject to a Security Agreement Filed With The Interstate Commerce Commission".

There is also enclosed a check for \$100 payable to the Interstate Commerce Commission, representing the fee for recording the Conditional Sale Agreement and related Agreement and Assignment (together constituting one document) and the Lease of Railroad Equipment and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



John W. White
As Agent for Chicago and
North Western Transportation Company

Interstate Commerce Commission,
Washington, D. C. 20423

Attention of Agatha L. Mergenovich,
Secretary.

Encls.

APR 22 1981-9 20 AM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2044-092]

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1981

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity, but solely as Trustee,
Lessor

[Covering 350 Covered Hopper Cars]

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company as Agent for certain institutional investors. The original of this Lease has been stamped "Original" and is held by said Agent.

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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1981, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with MELLON INTERNATIONAL LEASING COMPANY (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with Greenville Steel Car Company (the "Builder"), wherein the Builder has agreed to manufacture and conditionally sell to the Lessor, the units of railroad equipment described in Schedule A hereto (the "Equipment");

WHEREAS the Builder is assigning its interests in the CSA to Mercantile-Safe Deposit and Trust Company, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner and the parties named in Schedule A thereto (said parties together with their successors and assigns, being hereinafter called the "Investors");

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and upon the terms and conditions hereinafter provided;

WHEREAS the parties contemplate that the Lessor will assign, for security purposes, certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Lessee's Consent and Agreement (the "Consent"); and

WHEREAS the Owner and the Lessee will enter into a Tax Indemnity Agreement (the "Indemnity Agreement") with respect to certain income tax consequences of the transactions contemplated hereby;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Owner, the Builder or the Vendor or otherwise, except as expressly provided in § 3(b) hereof. The Lessee's obligations hereunder, including but not limited to its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of (i) any defect, whether latent or patent, in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, (ii) any liens, encumbrances or rights of others with respect to any of the Units, (iii) the prohibition of or other restriction against the Lessee's use of all or any of the Units, (iv) the interference with such use by any person, (v) the invalidity or unenforceability or lack of due authorization of this Lease, (vi) any insolvency of, or any bankruptcy, reorganization or similar proceeding against the Lessee, or (vii) any other cause whether similar or dissimilar to the foregoing, whether arising under this Lease, any other Document (as defined in the Participation Agreement) or otherwise, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall

not seek to recover all or any part of such payment from the Lessor for any reason whatsoever except as to the amount of any payment paid by the Lessee which is in excess of the amount required to be paid by the Lessee pursuant to the provisions of this Lease.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a unit to the Lessor under the CSA shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") substantially in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. Upon the acceptance of all Units to be subject to this Lease, Lessor and Lessee will enter into an amendment to this Lease setting forth the specific identifying numbers of the Units if this Lease shall not set forth the same.

§ 3. Rentals. (a) The Lessee agrees to pay to the Lessor, as rental for each Unit, 39 consecutive semi-annual rental payments in arrears. The 39 semiannual rental payments are payable on February 1 and August 1 in each year, commencing August 1, 1982, to and including August 1, 2001 (each of such 39 consecutive dates being hereinafter called a "Rental Payment Date"). The first 14 semiannual rental payments shall each be in an amount equal to 5.24925% of the Purchase Price (as defined in the CSA) of each Unit and the subsequent 25 semiannual rental payments shall each be in an amount equal to 6.41575% of the Purchase Price of each Unit (the percentages set forth in this sentence being hereinafter called the "Rental Factors").

The Lessee and the Lessor agree that, subject to § 3(f) hereof, the Rental Factors and the Casualty Value Percentages set forth in Schedule B hereto (the "Casualty Value Percentages") will be adjusted upward or downward in the event that (A) any Closing Date (as defined in the CSA) is held on a date which causes May 1, 1981 (the 121st day of 1981) not to be the average of all Closing Dates for all Units (the average of all Closing Dates shall be a weighted average and shall be determined by (i) multiplying the number of Units purchased by the Vendee on each Closing Date by the actual number of days elapsed from and including January 1, 1981, to such Closing Date (the "Unit Days"), (ii) adding together the Unit Days for all Closing Dates ("Total Unit Days"), and (iii) dividing such Total Unit Days by the aggregate number of Units purchased by the Vendee and leased hereunder), (B) the interest rate on the CSA Indebtedness differs from the rate set forth in the fourth paragraph of Article 4 of the CSA, or (C) any Unit is delivered and accepted hereunder after June 30, 1981. Any such adjustment shall be effective as of the first Rental Payment Date following the event giving rise to such adjustment and shall be computed so that the after-tax economic yields and cash flows realized by the Owner (computed on the same assumptions, including rates of Federal, state and local taxes, as were utilized by the Owner in originally evaluating the purchase and leasing of the Equipment) shall equal the after-tax economic yields and cash flows that would have been realized by the Owner if (A) the average of all Closing Dates for all Units had been May 1, 1981, (B) the interest rate on the CSA Indebtedness had been the rate set forth in the fourth paragraph of Article 4 of the CSA, and (C) all Units had been delivered and accepted on or prior to June 30, 1981 (such after-tax economic yields and cash flows hereinafter called the "Net Economic Return").

(b) If any of the following events shall occur, i.e.: (A) if any amendment to the Internal Revenue Code of 1954, as amended (the "Code"), which shall affect the Federal tax benefits available to Owner with respect to any Unit shall be enacted with an effective date (and shall become effective) on or prior to February 1, 1982 (hereinafter called the "Lease Commencement Date") or (B) if any change in the Federal tax benefits available to Owner with respect to any Unit shall result from a change in income tax regulations, published administrative interpretations or decisions or judicial decisions which are both published and effective on or prior to the Lease Commencement Date; then, subject to the limitations in § 3(f) hereof, (i) the Rental

Factors and the Casualty Value Percentages will be adjusted upward or downward for such Unit as necessary to preserve the Owner's Net Economic Return as if such tax benefits had not been changed, and (ii) if and to the extent that any rental reductions that would have become effective pursuant to clause (i) above due to an increase in the Federal tax benefits would not be made due to the limitations set forth in § 3(f) hereof after giving effect to all other adjustments required by this Section, then the Owner shall elect, to the extent permitted by law, pursuant to Section 48(d) of the Code and Section 1.48-4(f) of the income tax regulations, to treat the Lessee as having purchased the maximum number of Units (reduced to the nearest whole number) (possession of which shall have been or will be transferred to the Lessee in any year for which the Lessee's Federal income tax return shall not yet have been filed) as would be necessary to cause the Owner's Net Economic Return to be no greater than the Net Economic Return which the Owner would have realized if it had been able to adjust the rentals payable hereunder without regard to the limitations set forth above. Any adjustment of a Rental Factor (which may result in rentals of even or uneven amounts) or a Casualty Value Percentage required by the first sentence of this paragraph (b) shall be effective as of the first Rental Payment Date following the event giving rise to such adjustment, and shall be made in such manner as will result, in the Owner's reasonable judgment after consultation with Lessee, in preserving for the Owner the Net Economic Return. If the Lessee would be entitled to a rental reduction pursuant to this paragraph but for the requirements of Revenue Procedure 75-21, 1975-1 Cum. Bull. 715 (Rev. Proc. 75-21) (except Section 5.01 thereof) in effect on the applicable Rental Payment Date and such requirements subsequently shall be superseded or amended to permit, or otherwise interpreted to permit, all or part of such rental reductions, then the Lessee shall be entitled to the maximum rental reductions, during the original term of this Lease that are permissible under Rev. Proc. 75-21 (except Section 5.01 thereof), effective as of the first Rental Payment Date following the date of such amendment, and that will preserve Owner's Net Economic Return, taking into account the time each rental reduction was delayed on account of the requirements of Rev. Proc. 75-21. The Owner shall furnish the Lessee and the Vendor prior to the effective date of any rental adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such rental adjustment.

(c) In addition to the rentals set forth above, the Lessee will pay to the Lessor, the following additional rentals: (i) an amount equal to any deficiency amount required to be paid by the Lessor pursuant to the third paragraph of Paragraph 2 of the Participation Agreement, (ii) an amount equal to any amount required to be paid by the Lessor pursuant to clause (a) of the second paragraph of Paragraph 10 of the Participation Agreement, and (iii) an amount (reduced by the amount of any interest payment made under the fourth paragraph of Article 4 of the CSA on August 1, 1981, and February 1, 1982, as the case may be, from funds supplied by the Owner under Section 1.03 of the Trust Agreement) equal to any amount required to be paid by the Lessor pursuant to clause (b) of the second paragraph of Paragraph 10 of the Participation Agreement, in each case on such date as will enable the Lessor to make such payment.

(d) If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall be payable on the last business day preceding such date. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, New York, New York, Pittsburgh, Pennsylvania, Hartford, Connecticut, or Baltimore, Maryland, are authorized or obligated to remain closed.

(e) The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA and the Participation Agreement, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., Baltimore, Maryland, time, on the date such payment is due.

(f) Any provision hereof to the contrary notwithstanding, the rentals payable and Casualty Value Percentages hereunder with respect to any Unit will never be less than those amounts and percentages required (i) to enable the Lessor to satisfy its obligations to pay or prepay with respect to such Unit the portion of the CSA Indebtedness (as defined in the CSA) allocable thereto and interest thereon, regardless of any limitation of liability set forth in the CSA and (ii) to enable Owner to satisfy all the requirements set forth in Rev. Proc. 75-21, 1975-1 Cum. Bull. 715 (except Section 5.01 thereof), as such requirements may be modified or adjusted on or prior to the Lease Commencement Date hereunder, whether by statute, regulation, revenue ruling, revenue procedure or otherwise.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the final Rental Payment Date. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 14 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the CSA (notwithstanding any limitation of the Lessor's liability in the CSA) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, and will keep and maintain plainly, distinctly, permanently and conspicuously

marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Vendor and the Lessor, in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited, and all required publications, if any, made; and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, deposited and published, that such filing, deposit and publication will protect the Vendor's and the Lessor's rights in such Units and that no other filing, deposit, publication or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names, initials or other insignia customarily used by the Lessee or its affiliates.

§ 6. Taxes. (a) All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities), its assignees (including the Vendor) and the Owner from collection or other charges and will be free of expense to the Lessor (in both its individual and fiduciary capacities), its assignees (including the Vendor), and the Owner with respect to the amount of any Impositions (as herein-after defined), all of which charges and Impositions the

Lessee assumes and agrees to pay on demand in addition to the other payments to be made by the Lessee hereunder. The term "Impositions" means all Federal, state, local or foreign taxes, license fees, assessments and documentary stamp taxes, and any charges, fines or penalties in connection therewith, now or hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any rentals or other sums payable hereunder, or any sale, rental, possession, use, shipment, delivery, non-delivery, rejection, transfer of title, return or other disposition of the Equipment or any interest therein, under the terms hereof or the CSA (except for a transfer or disposition of any Unit or interest therein by the Lessor or the Owner or of the Lessor's or Owner's interest in this Lease or the rentals or other sums payable hereunder to one other than the Vendor prior to the occurrence of an Event of Default hereunder, whether such transfer or disposition is voluntary or involuntary, or follows the return of any Unit in accordance with § 14), except: (i) any tax of the United States of America imposed on or measured by net income or excess profits (other than the net income or excess profits of Lessee), or any value added or gross receipts tax imposed in lieu of such tax; (ii) in the case of the Lessor or the Owner, the aggregate of all state or local taxes imposed on or measured by the net income of the Owner or the Lessor based on any rentals or other sums payable under this Lease, or any value added or gross receipts tax in lieu of any such tax, up to the amount of any such tax which would be payable to the state or city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state or city, and, in the case of any other party, all state or local taxes imposed on or measured by net income, or any value added or gross receipts tax in lieu of any such tax; (iii) any state franchise tax which is not based on or measured by net income; (iv) any taxes of a state or political subdivision thereof computed other than on net income and imposed in substitution for any tax referred to in clause (ii) or (iii) above; and (v) any foreign income tax to the extent that the recipient of any payments made hereunder shall receive credit therefor against its United States Federal income tax liability; but including such of the foregoing as are levied or imposed in substitution for, or relieve Lessee from the payment of, such taxes, fees, assessments, charges, fines or penalties which it would otherwise be obligated to pay or reimburse as provided in

this § 6. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom, and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or the interest of the Owner or Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any Imposition of any kind so long as such Imposition remains unpaid and the Lessee shall be contesting in good faith such Imposition in its own name and by appropriate legal or administrative proceedings, or the Lessor, the Owner, or the Vendor, as the case may be, shall be required to contest such Impositions as provided in this § 6, and the nonpayment thereof, in the reasonable opinion of such party, shall not adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the CSA. The Lessee shall give such party notice of such contest brought in the Lessee's name within 30 days after institution thereof, and such party will provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Imposition shall have been charged or levied against such party directly and paid by such party, the Lessee shall pay such party on presentation of an invoice therefor, if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or if the Lessee shall have approved the payment thereof, and such party agrees to give the Lessee written notice in a timely manner after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such Imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however, that the Lessor shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted under the CSA.

(b) In the event any returns, statements or reports with respect to Impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Owner and the Vendor in such Units, as shall be satisfactory to the Lessor, the Owner and the Vendor or, where not so permitted, will notify the Lessor, the Owner and the Vendor of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Owner and the Vendor.

(c) In the event that, with respect to any period during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

(d) If claim is made against any indemnified party for any Impositions indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Impositions by (a) resisting payment thereof if legally permissible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such Impositions previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

(e) The Lessee shall, whenever reasonably requested by the Lessor or the Owner, submit to such party copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to such party of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as such party reasonably may require to permit such party's compliance with the requirements of taxing jurisdictions, including data available to the Lessee relating to use of any Unit outside the United States.

(f) The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such Imposition not been imposed.

(g) The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any unit and considered an Addition [as defined in § 9 hereof] hereunder) so that each Unit will remain (a) in good operating order, repair and condition, reasonable wear and tear excepted, (b) in compliance with any and all applicable laws and regulations and (c) at a level of maintenance comparable to that of all other owned or leased equipment of the same character in its fleet.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the good faith and reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the

United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof (or, if such taking, requisition or condemnation shall occur during the extended term, for a stated period which shall exceed the then remaining extended term or for an indefinite period, but only when such period shall exceed such extended term), or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly (but in any event within 30 days after such Casualty Occurrence) and fully notify the Lessor, the Owner and the Vendor with respect thereto. On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on the Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Casualty Payment Date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The "Casualty Value" of each Unit as of any Rental Payment Date shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule B reflects an amount representing investment credit recapture to the Owner that is greater or lesser than the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit, except that no such increase or decrease shall be made to the extent that it reflects a change in law or regulation after the Lease Commencement Date; provided further, however, that the Casualty Value Percentages with respect to any Unit will never be less than those percentages required to enable the Lessor to satisfy its obligations to pay or prepay with respect to such

Unit the portion of the CSA Indebtedness (as defined in the CSA) allocable thereto and interest thereon, regardless of any limitation of liability set forth in the CSA.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to § 3 hereof and before (a) such Unit shall have been returned in the manner provided in § 14 hereof, and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in § 13 hereof, be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease or the extended term thereof, all of the Lessee's obligations (including, without limitation, the obligation to pay rent and other sums hereunder) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or the extended term thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or the extended term thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or the extended term thereof shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or

the Lessee from the Government for the use of such Unit after the term of this Lease or the extended term thereof, shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor and the Owner prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to the Vendee under the CSA. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times after delivery and acceptance of each Unit and prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor, the Owner and the Vendor a certificate or verification from the Lessee's insurance broker evidencing) property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment and, in any event, comparable in amounts and against risks customarily insured against by the Lessee from time to time in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name the Lessor, the Owner and the

Vendor as additional insureds as their respective interests may appear and shall provide for 30 days prior written notice to the Lessor, the Owner and the Vendor of any material change or cancelation. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired so as to comply with the first paragraph of this Section.

If, in its reasonable judgment, the Lessee shall determine in good faith at any time after February 1, 1989, that the Equipment shall have become no longer economical for the Lessee to retain, the Lessee shall have the right, on at least 180 days' prior written notice to the Lessor, to terminate this Lease with respect to all, but not less than all, of the Equipment as of any succeeding Rental Payment Date specified in such notice (the "Termination Date"), provided that (i) the Lessee has obtained from the Vendor and from each person holding an interest in the CSA Indebtedness (as defined in the CSA) a written consent to such termination, it being understood that such consents may be withheld by the Vendor (or any such person) for any reason, or on any basis whatsoever, (ii) no Event of Default shall have occurred and be continuing (other than with respect to the Units as a consequence of a default under the first paragraph of § 7 hereof or the second paragraph of § 9 hereof, as the case may be), and (iii) on the Termination Date the Units be in the same condition (except for noncompliance with the first paragraph of § 7 hereof or the second paragraph of § 9 hereof, as the case

may be) as if returned pursuant to § 14. During the period from such termination notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts, and the Lessor may assist if it so chooses, to obtain bids for the purchase of the Units. The Lessee, at least five business days prior to such Termination Date, shall certify to the Lessor the amount of each such bid and the name and address of the party submitting such bid. On the Termination Date, the Lessor may elect to sell the Units for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at any such sale shall be retained by the Lessor; and on the Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Casualty Value for the Units computed as of such date over the sale price of the Units after the deduction of all expenses incurred by the Lessor in connection with the sale, and (ii) the rental payment for the Units due on the Termination Date. The Lessor, however, by written notice to the Lessee given prior to the Termination Date, may elect to retain the Units, in which case (i) the Lessee shall not be obligated to pay the Casualty Value of the Units to the Lessor, except to the extent that the Casualty Value of the Units computed as of the Termination Date exceeds the Fair Market Value (as hereinafter defined and determined) of the Units on such date, and (ii) the Lessee shall deliver the Units to the Lessor in accordance with § 14 (except as aforesaid as to the condition of the Units).

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor, the Vendor and the Owner (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and identifying numbers of all Units then leased hereunder and covered by the CSA, the amount, description and identifying numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced and (b) a certification or verification of

insurance coverage from the Lessee's independent broker stating the amounts of insurance in effect with respect to the Equipment pursuant to § 7 hereof and the amount of deductible. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease, but the Lessor shall have no obligation to do so.

The Lessee shall promptly notify the Lessor, the Owner and the Vendor of (a) any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof and (b) any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR NEITHER MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor

shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads (which term shall include any successor organization thereof), if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, maintenance, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof, the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessee, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee's obligations under this paragraph subsequent to the expiration of the lease term or the extended term shall be limited solely to maintenance of the

Units in accordance with Applicable Laws prior to and as of the date of the expiration of the Lease. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements, whether or not removable (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Applicable Laws) (collectively "Additions"), to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads. Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien and prior perfected security interest under the CSA in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original Part; (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of § 7 hereof or the terms of the first sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations, replacements, modifications or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to the Lessor pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined

to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to pay, and to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor from and against, all claims, causes of action, losses, damages, liabilities, expenses (including fees and expenses of attorneys) and costs (including claims, causes of action, losses, damages, liabilities, expenses and costs, both for strict liability in tort, and for negligence, either active or passive, which shall not have occurred because of a wrongful act of such indemnified person) incurred in any manner by or for the account of any of them (i) relating to any Unit, including the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Unit or as a result of the use, maintenance, repair, replacement, operation or condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) by reason or as the result of any act of omission (whether negligent or otherwise) of the Lessee, for itself or as agent or attorney-in-fact for the Lessor hereunder, or any act or omission of the Lessor or (iii) as a result of claims for patent, trademark or copyright infringements (all of which matters indemnified against pursuant to this sentence are collectively called the "Indemnified Matters"), except for any matter described above caused by any act or omission of the Lessor not related to transactions contemplated by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an Indemnified Party in violation of the provisions of its Documents. The amount the Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the indemnified person sufficient to restore such person to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that such indemnified person would have been in had the Indemnified Matter not been incurred. The Lessee shall be obligated under this § 9, irrespective of whether any indemnified person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the indemnified person seeking to enforce its indemnification hereunder may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both individually and in its fiduciary capacity) and the Vendor and the Owner, as third-party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor, the Owner or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee from which liability may be charged against the Builder with respect to the foregoing.

The Lessee shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units.

The Lessee shall prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor or Owner) any and all reports (other than tax returns, except as otherwise provided in § 6 hereof) to be filed by the Lessor or Owner with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units, or the leasing thereof to the Lessee.

None of the indemnities in this § 9 shall be deemed to create any rights of subrogation, from or under any indemnified person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Units. The indemnities contained in this § 9 shall survive the expiration or termination of this Lease and return of the Units as provided in § 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any indemnified person.

Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such indemnified person (except against another indemnified person) in respect of the matter against which indemnity has been given and (ii) any payments received by such indemnified person from any person (except the Lessee) as a result of any matter with respect to which such indemnified person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 hereof, and such default shall continue for five days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof, and the Lessee fails to secure a reassignment or retransfer to the Lessee of such Lease, interest or right for more than 30 days after the earlier of (a) receipt of demand in writing from the Lessor, or (b) any executive officer of the Lessee or any other officer of the Lessee having responsibility for financial, accounting or operating matters (a "Lessee Officer") has actual knowledge of such assignment or transfer;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement, and such default shall continue for more than 30 days after the earlier of (a) notice from the Lessor or the Vendor to the Lessee specifying

the default and demanding that the same be remedied or (b) a Lessee Officer has actual knowledge of such default;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed

(whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of

days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over, if such Unit shall have been sold, the net proceeds of sale, or, if such Unit shall not have been sold, the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9.67% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sale value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) or (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor, and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to §§ 6 and 9 hereof) as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, for all damages and expenses sustained by reason of Lessee's default or any covenant, representation or warranty hereunder other than for the

payment of rent, and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit and in connection with any suit to enforce Lessor's rights hereunder.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in 11 U.S.C. § 1168 or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization, subject to the provisions of 11 U.S.C. § 1168 or any such comparable provision.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

If the Lessee fails to perform or comply with any

agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (A) or (C) of this § 10, the Lessor may (but shall not be required to), upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 16-1/8% per annum, or if such rate is not legally enforceable then at the highest legally enforceable rate, shall be payable to the Lessor by the Lessee upon demand. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor against the Lessee hereunder or be deemed to cure a default by the Lessee hereunder.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by the first sentence of § 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of § 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor but in no event later than the later of (i) 30 days after the payment in full of all CSA Indebtedness and other sums due under the CSA, and (ii) a storage period of 120 days following notification by the Lessee to the Lessor that 75% of the Units have been

delivered for storage (or with respect to any Unit not delivered at the time of such notification, 120 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage); and

(c) transport the same to any reasonable place, without charge (i) on the lines of railroad operated by the Lessee or any of its affiliates, or (ii) for interchange to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. Anything to the contrary contained in this § 11 notwithstanding, the Lessee shall have no obligation under clause (b) or clause (c) of the first sentence of § 7 hereof after the later of (i) the payment in full of all CSA Indebtedness and all other sums due under the CSA and (ii) the earlier of the Lessor's disposition of the Units and the scheduled date of expiration of any term of this Lease. At the request, expense and risk of the Lessor, the Lessee will continue to store any Unit beyond the storage period determined pursuant to clause (b) of this § 11, but such storage shall be at the risk and expense of the Lessor. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

Without in any way limiting the foregoing obligations of the Lessee under this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver posses-

sion of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use; Liens.

This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent, and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the CSA (notwithstanding any limitation of the Lessor's liability in the CSA) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Vendor, the Lessee may sublease (which sublease by its terms shall be subject to the rights and remedies of the Lessor and the Vendor hereunder) the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Vendor's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional

service in Canada and Mexico shall be permitted so long as such service in Canada and Mexico does not involve regular operation and maintenance outside the United States of America; provided further, however, that no such sublease or use shall be to or by any person if, as a consequence thereof, such Unit would not qualify as "Section 38 property" within the meaning of the Code and provided further, however, that no such sublease shall be permitted without the prior written consent of the Lessor and the Vendor if, at the time of entering into or renewing such sublease, there has been a material adverse change in the properties, business or condition (financial or otherwise) of the Lessee from December 31, 1980. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any state thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Vendor hereunder which shall be and remain those of a principal and not a surety; and provided further that the net worth of such assignee, lessee or transferee immediately after such merger, consolidation, lease or acquisition, shall not be less than that of Lessee immediately before such merger, consolidation, lease or acquisition. The consent of Lessor and the Vendor must be obtained for any other assignment or transfer by Lessee, and any such assignment or transfer made without such consent shall be void. No such other assignment or transfer by Lessee shall relieve Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety. Any foreclosure by a secured party on the rights of the Lessee, as lessee, under the Lease in and to the Equipment shall be an unauthorized assignment or transfer of the Lease for purposes of § 10(B) hereof.

The Lessee, at its own expense, will pay, or satisfy and discharge: (i) any claim arising against, through or under the Lessee and its successors and assigns which, if unpaid, might constitute or become a lien, charge, security interest or other encumbrance upon or with respect to any Unit (unless otherwise expressly permitted by this Lease); (ii) any lien, charge or other encumbrance which may be levied against or imposed upon any Unit as a result of the failure of the Lessee to perform or observe any of its covenants under this Lease; and (iii) any other lien, charge or other encumbrance which arises by virtue of claims against, through or under any party other than the Lessor (except any such claim caused by the negligence or the Lessor) or the Owner. Such obligations shall survive the expiration or earlier termination of this Lease and the return of the Units as to all such claims, liens, charges, security interests, or other encumbrances arising prior to such expiration or termination and return. Notwithstanding the foregoing, the Owner shall have no right to receive any payment from the Lessee in the nature of an indemnity payment with regard to the foregoing to the extent that the Owner shall have recourse to the Lessor for the amount of such payment under the Trust Agreement or otherwise. The foregoing covenant, however, will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent. The Lessee, however, shall be under no obligation to discharge any such lien, charge, security interest or other encumbrance so long as it shall be contesting the same in good faith and by appropriate legal proceedings, and the failure to discharge the same shall not, in the opinion of the Lessor or the Vendor, as the case may be, adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the CSA and the Lease Assignment.

§ 13. Right of Renewal; Duty to First Offer.
Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all the Units then covered hereby, for one period of five years (the "extended term") commencing

on the scheduled expiration of the original term of this Lease.

The extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except (x) as to the amount of rentals, which shall be at a Fair Market Rental (as hereinafter defined) payable, in arrears, in semiannual payments on the dates on which such rentals were payable for the Units in each year of the original term and (y) that the Casualty Value of each Unit on the first of the 10 semiannual rental payment dates during the extended term shall be the Fair Market Value (as hereinafter defined) of such Unit on the date of commencement of the extended term, the Casualty Value of each Unit on the last of such payment dates shall be the estimated projected Fair Market Value of such Unit on the last day of the extended term (provided that such estimated projected Fair Market Value shall not be greater than the Fair Market Value of such Unit on the date of commencement of the extended term), and the Casualty Values of each Unit on the remaining 8 payment dates shall be determined on a straight-line basis between the Fair Market Values on the first and the last payment dates.

Provided that this Lease has not been earlier terminated and that no Event of Default under this Lease (or other event which after lapse of time or notice or both would become an Event of Default under this Lease) shall have occurred or be continuing, in the event the Lessor elects to sell any Units to third parties at the expiration of the original or the extended term of this Lease, the Lessee shall be given written notice of such intention (and written notice of the Lessor's estimate of the Fair Market Value of the Units) at least 30 days prior to the expiration of such term. The Lessee shall have the sole right and option to purchase all but not less than all the Units then subject to this Lease at the Fair Market Value of such Units. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 10 days of receipt of notice from the Lessor, indicating whether it accepts the Lessor's estimate of the Fair Market Value of the Units or that such Fair Market Value shall be determined in accordance with the appraisal procedure set forth

below, and specifying a date of purchase not later than the latest of (i) 30 days after the date of delivery of such notice by the Lessee to the Lessor, (ii) 90 days after the expiration of such term of this Lease or (iii) 10 business days after completion of the appraisal procedure, if applicable. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase. If the Lessee does not deliver such notice to the Lessor, all obligations of the Lessor under this paragraph shall terminate.

Upon payment of the Fair Market Value of any Unit (or such other purchase price as is provided for herein), pursuant to an exercise by the Lessee of its right to purchase such Units, the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, (i) a bill of sale (without warranties, except as hereinafter provided in this clause (i)) for such Units such as will transfer to the Lessee title to such Units free and clear of all claims, liens, security interests and other encumbrances created by or arising through the Lessor or the Owner, other than claims, liens, security interests and encumbrances which the Lessee is obligated to pay or discharge under or pursuant to this Lease and (ii) an opinion of counsel (who may be in-house counsel of the Owner) satisfactory to the Lessee, to such effect. Notwithstanding the foregoing, if any Units so purchased are to be sold to the Lessee under a conditional sale agreement, the Lessor shall have the right to retain a security interest in such Units until such time as all payments in respect thereof have been made.

The Fair Market Rental and Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the cash rental or the purchase price (as of such date as the context herein requires), as the case may be, which would obtain in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be (other than a lessee or purchaser currently in possession), and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, but there shall be excluded from such determination any rental or purchase value attributable to additions, modifications and improvements which the

Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined on the basis of the term and other terms and conditions of the lease being considered. In making such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. If, after 20 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or the giving of notice by the Lessor that it intends to sell the Units, as aforesaid, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Value of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 business days after such notice is given, each party shall appoint an independent appraiser within 20 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then subject to this Lease, within 30 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal

proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. Except as otherwise provided herein, the Lessee and the Lessor shall equally share all appraisal procedure expenses.

§ 14. Return of Units upon Expiration of Term.

As soon as practicable on or after the expiration of the original or the extended term of this Lease with respect to any Unit, the Lessee will, at its own cost, expense and risk, and at the request of the Lessor, deliver possession of such Unit, if not purchased by the Lessee, to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate in such city on the lines of the Lessee at any reasonable place east of the Missouri River, as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may reasonably select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 60 days following notification to the Lessor by the Lessee that 75% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 60 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and transport the same, at any time within such 60-day period, to any reasonable place east of the Missouri River on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by the Lessor and the Lessee (except that the Lessor may require that no more than 175 Units be transported as provided herein, during any 30-day period), the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during such period maintain the insurance required by § 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or

user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this § 14, each Unit returned to the Lessor pursuant to this § 14 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) be in the condition required by the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) in the condition required by the first sentence of § 7 hereof. Notwithstanding anything to the contrary contained in this § 14, (i) the Lessee shall have no obligation under clause (b) of the first sentence of § 7 hereof to comply with any provision of any law or regulation which becomes effective after expiration of the original or the extended term of this Lease and (ii) the Lessee shall have no obligation under clause (c) of the first sentence of § 7 hereof with respect to any Unit after the later of (x) expiration of the original or the extended term of this Lease and (y) delivery of a Unit into storage as provided above. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In addition, for each day, after termination of this Lease and prior to delivery of a Unit into storage as provided above, that such Unit is located on lines of railroad operated by the Lessee, the Lessee shall pay to the Lessor the per diem rental for such Unit prescribed by the Interstate Commerce Commission; provided, however, that no payment shall be required with respect to any Unit for the first 30 days on which such Unit is located on lines of railroad operated by the Lessee.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of

Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA, and the assignments thereof, shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate of 17-1/2% per annum, or, if such rate is not legally enforceable, then at the highest legally enforceable rate. Except as otherwise expressly provided herein, interest hereunder shall be determined on the basis of a 360-day year of 12 30-day months.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department; and

(b) if to the Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at P. O. Box 2258, Two Hopkins Plaza, Baltimore, Maryland 21203, Attention of Corporate Trust Department, and to the Owner, at 3629 Mellon Bank Building, Pittsburgh, Pennsylvania 15219.

§ 18. Severability; Effect and Modification of Lease; Third-Party Beneficiaries. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Agent, the Investors, the Builder and their permitted successors and assigns and those of a party hereto), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 19. Immunities. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or

personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owner hereunder (except, with respect to the Owner, pursuant to § 1.03 and the last paragraph of § 5.01 of the Trust Agreement and, with respect to the Lessor, pursuant to §§ 4.01 and 4.02 of the Trust Agreement), on account of this Lease or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owner hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

§ 20. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named.

§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by both the parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

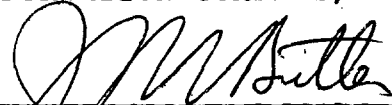
§ 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several

jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by



Senior Vice President

[Corporate Seal]

Attest:



Assistant Secretary

THE CONNECTICUT BANK AND TRUST
COMPANY, not individually but
solely as Trustee,

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this ^{20th} day of April 1981, before me personally appeared J.M. Butler to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Margaret Hanlon
Notary Public

[Notarial Seal]

My Commission Expires 2/25/82

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this day of April 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Trustees, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission Expires

SCHEDULE A

Specifications of the Equipment

<u>Type</u>	<u>Builder</u>	<u>Quantity</u>	<u>Lessee's Identification Numbers (Both Inclusive)</u>
3300 cu. ft. covered hopper cars;	Greenville Steel Car Company	350	CNW169000 through CNW169349
AAR mechanical designation: LO			

SCHEDULE B

Casualty Value Percentage Schedule

<u>Rental Payment Date</u>	<u>Percentage of Purchase Price*</u>
August 1, 1982	114.26547
February 1, 1983	117.54364
August 1, 1983	117.13667
February 1, 1984	119.66503
August 1, 1984	119.18457
February 1, 1985	114.86909
August 1, 1985	114.29928
February 1, 1986	115.47169
August 1, 1986	114.79874
February 1, 1987	109.22790
August 1, 1987	108.44038
February 1, 1988	108.46274
August 1, 1988	107.55188
February 1, 1989	100.94714
August 1, 1989	98.76414
February 1, 1990	96.68523
August 1, 1990	94.32488
February 1, 1991	91.93273
August 1, 1991	89.42557
February 1, 1992	86.88377
August 1, 1992	84.23591
February 1, 1993	81.55110
August 1, 1993	78.76602
February 1, 1994	75.94317
August 1, 1994	73.02755
February 1, 1995	70.07522
August 1, 1995	67.03968
February 1, 1996	63.97082
August 1, 1996	60.83088
February 1, 1997	57.59997
August 1, 1997	54.18932
February 1, 1998	50.62207
August 1, 1998	46.86215
February 1, 1999	42.92443
August 1, 1999	38.77934
February 1, 2000	34.43344
August 1, 2000	29.86361
February 1, 2001	25.06799
August 1, 2001	20.00000

* As defined in Article 4 of the CSA.

SCHEDULE C

Certificate of Inspection and Acceptance

To: The Connecticut Bank and Trust Company,
acting as Trustee (the "Lessor") under a
Trust Agreement
One Constitution Plaza
Hartford, Connecticut

I, the duly authorized representative for the
Lessor and Chicago and North Western Transportation Company
(the "Lessee") under the Conditional Sale Agreement and the
Lease of Railroad Equipment, both dated as of March 15,
1981, do hereby certify that the following Units of Equip-
ment have been inspected and I have accepted delivery of such
Units thereunder:

TYPE OF EQUIPMENT:
DATE ACCEPTED:
NUMBER OF UNITS:
LESSEE'S ROAD NUMBERS:

I do further certify that the foregoing Units are
in good order and condition, and appear to conform to the
specifications, requirements and standards applicable thereto
as provided in Article 2 of the aforesaid Conditional Sale
Agreement.

I do further certify that each of the foregoing
Units has been marked by means of a stencil printed in con-
trasting colors upon each side of each such Unit in letters
not less than one inch in height as follows:

"Ownership Subject to a Security Agreement Filed
with the Interstate Commerce Commission"

The execution of this Certificate will in no way
relieve or decrease the responsibility of Greenville Steel
Car Company for any warranties it has made with respect to
the Equipment.

Authorized Representative of
Lessor and Lessee

LEASE OF RAILROAD EQUIPMENT

Dated as of March 15, 1981

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity, but solely as Trustee,
Lessor

[Covering 350 Covered Hopper Cars]

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of Mercantile-Safe Deposit and Trust Company as Agent for certain institutional investors. The original of this Lease has been stamped "Original" and is held by said Agent.

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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of March 15, 1981, between CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, a Delaware corporation (the "Lessee"), and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not individually but solely as Trustee (the "Lessor") under a Trust Agreement dated as of the date hereof (the "Trust Agreement"), with MELLON INTERNATIONAL LEASING COMPANY (the "Owner").

WHEREAS the Lessor is entering into a Conditional Sale Agreement dated as of the date hereof (the "CSA") with Greenville Steel Car Company (the "Builder"), wherein the Builder has agreed to manufacture and conditionally sell to the Lessor, the units of railroad equipment described in Schedule A hereto (the "Equipment");

WHEREAS the Builder is assigning its interests in the CSA to Mercantile-Safe Deposit and Trust Company, acting as agent (said bank, as so acting, being hereinafter together with its successors and assigns and, where not inconsistent with the provisions hereof, Investors, as hereinafter defined, called the "Vendor") under a Participation Agreement dated as of the date hereof (the "Participation Agreement") with the Lessee, the Lessor, the Owner and the parties named in Schedule A thereto (said parties together with their successors and assigns, being hereinafter called the "Investors");

WHEREAS the Lessee desires to lease such number of units of Equipment as are delivered, accepted and settled for under the CSA (the "Units") at the rentals and upon the terms and conditions hereinafter provided;

WHEREAS the parties contemplate that the Lessor will assign, for security purposes, certain of its rights in this Lease to the Vendor by an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment"), and the Lessee will consent thereto by a Lessee's Consent and Agreement (the "Consent"); and

WHEREAS the Owner and the Lessee will enter into a Tax Indemnity Agreement (the "Indemnity Agreement") with respect to certain income tax consequences of the transactions contemplated hereby;

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the CSA, or against the Owner, the Builder or the Vendor or otherwise, except as expressly provided in § 3(b) hereof. The Lessee's obligations hereunder, including but not limited to its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of (i) any defect, whether latent or patent, in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, (ii) any liens, encumbrances or rights of others with respect to any of the Units, (iii) the prohibition of or other restriction against the Lessee's use of all or any of the Units, (iv) the interference with such use by any person, (v) the invalidity or unenforceability or lack of due authorization of this Lease, (vi) any insolvency of, or any bankruptcy, reorganization or similar proceeding against the Lessee, or (vii) any other cause whether similar or dissimilar to the foregoing, whether arising under this Lease, any other Document (as defined in the Participation Agreement) or otherwise, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall

not seek to recover all or any part of such payment from the Lessor for any reason whatsoever except as to the amount of any payment paid by the Lessee which is in excess of the amount required to be paid by the Lessee pursuant to the provisions of this Lease.

§ 2. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units pursuant to the CSA. Each delivery of a unit to the Lessor under the CSA shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is delivered to the Lessor under the CSA. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") substantially in the form annexed hereto as Schedule C, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the CSA pursuant to the first paragraph of Article 4 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. Upon the acceptance of all Units to be subject to this Lease, Lessor and Lessee will enter into an amendment to this Lease setting forth the specific identifying numbers of the Units if this Lease shall not set forth the same.

§ 3. Rentals. (a) The Lessee agrees to pay to the Lessor, as rental for each Unit, 39 consecutive semi-annual rental payments in arrears. The 39 semiannual rental payments are payable on February 1 and August 1 in each year, commencing August 1, 1982, to and including August 1, 2001 (each of such 39 consecutive dates being hereinafter called a "Rental Payment Date"). The first 14 semiannual rental payments shall each be in an amount equal to 5.24925% of the Purchase Price (as defined in the CSA) of each Unit and the subsequent 25 semiannual rental payments shall each be in an amount equal to 6.41575% of the Purchase Price of each Unit (the percentages set forth in this sentence being hereinafter called the "Rental Factors").

The Lessee and the Lessor agree that, subject to § 3(f) hereof, the Rental Factors and the Casualty Value Percentages set forth in Schedule B hereto (the "Casualty Value Percentages") will be adjusted upward or downward in the event that (A) any Closing Date (as defined in the CSA) is held on a date which causes May 1, 1981 (the 121st day of 1981) not to be the average of all Closing Dates for all Units (the average of all Closing Dates shall be a weighted average and shall be determined by (i) multiplying the number of Units purchased by the Vendee on each Closing Date by the actual number of days elapsed from and including January 1, 1981, to such Closing Date (the "Unit Days"), (ii) adding together the Unit Days for all Closing Dates ("Total Unit Days"), and (iii) dividing such Total Unit Days by the aggregate number of Units purchased by the Vendee and leased hereunder), (B) the interest rate on the CSA Indebtedness differs from the rate set forth in the fourth paragraph of Article 4 of the CSA, or (C) any Unit is delivered and accepted hereunder after June 30, 1981. Any such adjustment shall be effective as of the first Rental Payment Date following the event giving rise to such adjustment and shall be computed so that the after-tax economic yields and cash flows realized by the Owner (computed on the same assumptions, including rates of Federal, state and local taxes, as were utilized by the Owner in originally evaluating the purchase and leasing of the Equipment) shall equal the after-tax economic yields and cash flows that would have been realized by the Owner if (A) the average of all Closing Dates for all Units had been May 1, 1981, (B) the interest rate on the CSA Indebtedness had been the rate set forth in the fourth paragraph of Article 4 of the CSA, and (C) all Units had been delivered and accepted on or prior to June 30, 1981 (such after-tax economic yields and cash flows hereinafter called the "Net Economic Return").

(b) If any of the following events shall occur, i.e.: (A) if any amendment to the Internal Revenue Code of 1954, as amended (the "Code"), which shall affect the Federal tax benefits available to Owner with respect to any Unit shall be enacted with an effective date (and shall become effective) on or prior to February 1, 1982 (hereinafter called the "Lease Commencement Date") or (B) if any change in the Federal tax benefits available to Owner with respect to any Unit shall result from a change in income tax regulations, published administrative interpretations or decisions or judicial decisions which are both published and effective on or prior to the Lease Commencement Date; then, subject to the limitations in § 3(f) hereof, (i) the Rental

Factors and the Casualty Value Percentages will be adjusted upward or downward for such Unit as necessary to preserve the Owner's Net Economic Return as if such tax benefits had not been changed, and (ii) if and to the extent that any rental reductions that would have become effective pursuant to clause (i) above due to an increase in the Federal tax benefits would not be made due to the limitations set forth in § 3(f) hereof after giving effect to all other adjustments required by this Section, then the Owner shall elect, to the extent permitted by law, pursuant to Section 48(d) of the Code and Section 1.48-4(f) of the income tax regulations, to treat the Lessee as having purchased the maximum number of Units (reduced to the nearest whole number) (possession of which shall have been or will be transferred to the Lessee in any year for which the Lessee's Federal income tax return shall not yet have been filed) as would be necessary to cause the Owner's Net Economic Return to be no greater than the Net Economic Return which the Owner would have realized if it had been able to adjust the rentals payable hereunder without regard to the limitations set forth above. Any adjustment of a Rental Factor (which may result in rentals of even or uneven amounts) or a Casualty Value Percentage required by the first sentence of this paragraph (b) shall be effective as of the first Rental Payment Date following the event giving rise to such adjustment, and shall be made in such manner as will result, in the Owner's reasonable judgment after consultation with Lessee, in preserving for the Owner the Net Economic Return. If the Lessee would be entitled to a rental reduction pursuant to this paragraph but for the requirements of Revenue Procedure 75-21, 1975-1 Cum. Bull. 715 (Rev. Proc. 75-21) (except Section 5.01 thereof) in effect on the applicable Rental Payment Date and such requirements subsequently shall be superseded or amended to permit, or otherwise interpreted to permit, all or part of such rental reductions, then the Lessee shall be entitled to the maximum rental reductions, during the original term of this Lease that are permissible under Rev. Proc. 75-21 (except Section 5.01 thereof), effective as of the first Rental Payment Date following the date of such amendment, and that will preserve Owner's Net Economic Return, taking into account the time each rental reduction was delayed on account of the requirements of Rev. Proc. 75-21. The Owner shall furnish the Lessee and the Vendor prior to the effective date of any rental adjustment with a notice setting forth in reasonable detail the computations and methods used in computing such rental adjustment.

(c) In addition to the rentals set forth above, the Lessee will pay to the Lessor, the following additional rentals: (i) an amount equal to any deficiency amount required to be paid by the Lessor pursuant to the third paragraph of Paragraph 2 of the Participation Agreement, (ii) an amount equal to any amount required to be paid by the Lessor pursuant to clause (a) of the second paragraph of Paragraph 10 of the Participation Agreement, and (iii) an amount (reduced by the amount of any interest payment made under the fourth paragraph of Article 4 of the CSA on August 1, 1981, and February 1, 1982, as the case may be, from funds supplied by the Owner under Section 1.03 of the Trust Agreement) equal to any amount required to be paid by the Lessor pursuant to clause (b) of the second paragraph of Paragraph 10 of the Participation Agreement, in each case on such date as will enable the Lessor to make such payment.

(d) If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall be payable on the last business day preceding such date. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, New York, New York, Pittsburgh, Pennsylvania, Hartford, Connecticut, or Baltimore, Maryland, are authorized or obligated to remain closed.

(e) The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof, but excluding all payments not assigned to the Vendor pursuant to the Lease Assignment, at the principal office of the Vendor, for the account of the Lessor in care of the Vendor, with instructions to the Vendor first, to apply such payments to satisfy the obligations of the Lessor under the CSA and the Participation Agreement, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the CSA could constitute an event of default under the CSA shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Vendor by 11:00 a.m., Baltimore, Maryland, time, on the date such payment is due.

(f) Any provision hereof to the contrary notwithstanding, the rentals payable and Casualty Value Percentages hereunder with respect to any Unit will never be less than those amounts and percentages required (i) to enable the Lessor to satisfy its obligations to pay or prepay with respect to such Unit the portion of the CSA Indebtedness (as defined in the CSA) allocable thereto and interest thereon, regardless of any limitation of liability set forth in the CSA and (ii) to enable Owner to satisfy all the requirements set forth in Rev. Proc. 75-21, 1975-1 Cum. Bull. 715 (except Section 5.01 thereof), as such requirements may be modified or adjusted on or prior to the Lease Commencement Date hereunder, whether by statute, regulation, revenue ruling, revenue procedure or otherwise.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7, 10 and 13 hereof, shall terminate on the final Rental Payment Date. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 14 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Vendor under the CSA. If an event of default should occur under the CSA, the Vendor may terminate this Lease (or rescind its termination), all as provided therein; provided, however, that, so long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the CSA (notwithstanding any limitation of the Lessor's liability in the CSA) in accordance with the Lease Assignment, this Lease may not be terminated and the Lessee shall be entitled to the rights of possession, use and assignment provided under § 12 hereof.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, and will keep and maintain plainly, distinctly, permanently and conspicuously

marked on each side of each Unit, in letters not less than one inch in height, the words "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Vendor and the Lessor, in order to protect the Lessor's and the Vendor's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Vendor under the CSA. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Vendor and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the CSA shall have been filed and deposited, and all required publications, if any, made; and (ii) the Lessee shall have furnished the Vendor and the Lessor an opinion of counsel to the effect that such statement has been so filed, deposited and published, that such filing, deposit and publication will protect the Vendor's and the Lessor's rights in such Units and that no other filing, deposit, publication or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Vendor and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names, initials or other insignia customarily used by the Lessee or its affiliates.

§ 6. Taxes. (a) All payments to be made by the Lessee hereunder will be free of expense to the Lessor (in both its individual and fiduciary capacities), its assignees (including the Vendor) and the Owner from collection or other charges and will be free of expense to the Lessor (in both its individual and fiduciary capacities), its assignees (including the Vendor), and the Owner with respect to the amount of any Impositions (as herein-after defined), all of which charges and Impositions the

Lessee assumes and agrees to pay on demand in addition to the other payments to be made by the Lessee hereunder. The term "Impositions" means all Federal, state, local or foreign taxes, license fees, assessments and documentary stamp taxes, and any charges, fines or penalties in connection therewith, now or hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any rentals or other sums payable hereunder, or any sale, rental, possession, use, shipment, delivery, non-delivery, rejection, transfer of title, return or other disposition of the Equipment or any interest therein, under the terms hereof or the CSA (except for a transfer or disposition of any Unit or interest therein by the Lessor or the Owner or of the Lessor's or Owner's interest in this Lease or the rentals or other sums payable hereunder to one other than the Vendor prior to the occurrence of an Event of Default hereunder, whether such transfer or disposition is voluntary or involuntary, or follows the return of any Unit in accordance with § 14), except: (i) any tax of the United States of America imposed on or measured by net income or excess profits (other than the net income or excess profits of Lessee), or any value added or gross receipts tax imposed in lieu of such tax; (ii) in the case of the Lessor or the Owner, the aggregate of all state or local taxes imposed on or measured by the net income of the Owner or the Lessor based on any rentals or other sums payable under this Lease, or any value added or gross receipts tax in lieu of any such tax, up to the amount of any such tax which would be payable to the state or city in which the Owner or the Lessor, as the case may be, has its principal place of business without apportionment to any other state or city, and, in the case of any other party, all state or local taxes imposed on or measured by net income, or any value added or gross receipts tax in lieu of any such tax; (iii) any state franchise tax which is not based on or measured by net income; (iv) any taxes of a state or political subdivision thereof computed other than on net income and imposed in substitution for any tax referred to in clause (ii) or (iii) above; and (v) any foreign income tax to the extent that the recipient of any payments made hereunder shall receive credit therefor against its United States Federal income tax liability; but including such of the foregoing as are levied or imposed in substitution for, or relieve Lessee from the payment of, such taxes, fees, assessments, charges, fines or penalties which it would otherwise be obligated to pay or reimburse as provided in

this § 6. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom, and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or the interest of the Owner or Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any Imposition of any kind so long as such Imposition remains unpaid and the Lessee shall be contesting in good faith such Imposition in its own name and by appropriate legal or administrative proceedings, or the Lessor, the Owner, or the Vendor, as the case may be, shall be required to contest such Impositions as provided in this § 6, and the nonpayment thereof, in the reasonable opinion of such party, shall not adversely affect the title, property or rights of the Lessor or the Owner hereunder or the Lessor or the Vendor under the CSA. The Lessee shall give such party notice of such contest brought in the Lessee's name within 30 days after institution thereof, and such party will provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Imposition shall have been charged or levied against such party directly and paid by such party, the Lessee shall pay such party on presentation of an invoice therefor, if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or if the Lessee shall have approved the payment thereof, and such party agrees to give the Lessee written notice in a timely manner after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such Imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Builder or the Vendor or otherwise pursuant to any corresponding provision of the CSA not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however, that the Lessor shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted under the CSA.

(b) In the event any returns, statements or reports with respect to Impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor, the Owner and the Vendor in such Units, as shall be satisfactory to the Lessor, the Owner and the Vendor or, where not so permitted, will notify the Lessor, the Owner and the Vendor of such requirement and will prepare and deliver such reports to the Lessor, the Owner and the Vendor within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor, the Owner and the Vendor.

(c) In the event that, with respect to any period during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition, pursuant to this § 6, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

(d) If claim is made against any indemnified party for any Impositions indemnified against under this § 6, such party shall promptly notify the Lessee. If reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, such indemnified party shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Impositions by (a) resisting payment thereof if legally permissible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If such indemnified party shall obtain a refund of all or any part of such Impositions previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, such indemnified party shall pay to the Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

(e) The Lessee shall, whenever reasonably requested by the Lessor or the Owner, submit to such party copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to such party of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as such party reasonably may require to permit such party's compliance with the requirements of taxing jurisdictions, including data available to the Lessee relating to use of any Unit outside the United States.

(f) The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such Imposition not been imposed.

(g) The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the CSA, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any unit and considered an Addition [as defined in § 9 hereof] hereunder) so that each Unit will remain (a) in good operating order, repair and condition, reasonable wear and tear excepted, (b) in compliance with any and all applicable laws and regulations and (c) at a level of maintenance comparable to that of all other owned or leased equipment of the same character in its fleet.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the good faith and reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever, permanently returned to the Builder pursuant to any patent indemnity provision of the CSA, or taken or requisitioned by condemnation or otherwise by the

United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof (or, if such taking, requisition or condemnation shall occur during the extended term, for a stated period which shall exceed the then remaining extended term or for an indefinite period, but only when such period shall exceed such extended term), or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 14 hereof, the Lessee shall promptly (but in any event within 30 days after such Casualty Occurrence) and fully notify the Lessor, the Owner and the Vendor with respect thereto. On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on the Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such Unit as of the Casualty Payment Date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The "Casualty Value" of each Unit as of any Rental Payment Date shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule B hereto opposite such date; provided, however, that if the Casualty Value for any Unit as of such payment date as determined pursuant to Schedule B reflects an amount representing investment credit recapture to the Owner that is greater or lesser than the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit, the Casualty Value for such Unit as so determined shall be appropriately decreased or increased so as to reflect the actual amount of investment credit recapture incurred by the Owner as a result of the Casualty Occurrence to such Unit, except that no such increase or decrease shall be made to the extent that it reflects a change in law or regulation after the Lease Commencement Date; provided further, however, that the Casualty Value Percentages with respect to any Unit will never be less than those percentages required to enable the Lessor to satisfy its obligations to pay or prepay with respect to such

Unit the portion of the CSA Indebtedness (as defined in the CSA) allocable thereto and interest thereon, regardless of any limitation of liability set forth in the CSA.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to § 3 hereof and before (a) such Unit shall have been returned in the manner provided in § 14 hereof, and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall, except as otherwise provided in § 13 hereof, be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit or return to the Builder of such Unit), the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease or the extended term thereof, all of the Lessee's obligations (including, without limitation, the obligation to pay rent and other sums hereunder) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease or the extended term thereof, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 14 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease or the extended term thereof, but the Lessee shall in all other respects comply with the provisions of said § 11 or 14, as the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease or the extended term thereof shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or

the Lessee from the Government for the use of such Unit after the term of this Lease or the extended term thereof, shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor and the Owner prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee shall be entitled to credit against the Casualty Value payable in respect of any Unit permanently returned to the Builder pursuant to any patent indemnity provision of the CSA an amount equal to any net patent indemnity payment in respect of such Unit made by the Builder to the Vendee under the CSA. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times after delivery and acceptance of each Unit and prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor, the Owner and the Vendor a certificate or verification from the Lessee's insurance broker evidencing) property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment and, in any event, comparable in amounts and against risks customarily insured against by the Lessee from time to time in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name the Lessor, the Owner and the

Vendor as additional insureds as their respective interests may appear and shall provide for 30 days prior written notice to the Lessor, the Owner and the Vendor of any material change or cancelation. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired so as to comply with the first paragraph of this Section.

If, in its reasonable judgment, the Lessee shall determine in good faith at any time after February 1, 1989, that the Equipment shall have become no longer economical for the Lessee to retain, the Lessee shall have the right, on at least 180 days' prior written notice to the Lessor, to terminate this Lease with respect to all, but not less than all, of the Equipment as of any succeeding Rental Payment Date specified in such notice (the "Termination Date"), provided that (i) the Lessee has obtained from the Vendor and from each person holding an interest in the CSA Indebtedness (as defined in the CSA) a written consent to such termination, it being understood that such consents may be withheld by the Vendor (or any such person) for any reason, or on any basis whatsoever, (ii) no Event of Default shall have occurred and be continuing (other than with respect to the Units as a consequence of a default under the first paragraph of § 7 hereof or the second paragraph of § 9 hereof, as the case may be), and (iii) on the Termination Date the Units be in the same condition (except for noncompliance with the first paragraph of § 7 hereof or the second paragraph of § 9 hereof, as the case

may be) as if returned pursuant to § 14. During the period from such termination notice until the fifth business day preceding the Termination Date, the Lessee shall use its best efforts, and the Lessor may assist if it so chooses, to obtain bids for the purchase of the Units. The Lessee, at least five business days prior to such Termination Date, shall certify to the Lessor the amount of each such bid and the name and address of the party submitting such bid. On the Termination Date, the Lessor may elect to sell the Units for cash to the bidder who shall have submitted the highest bid prior to the Termination Date. The total sale price realized at any such sale shall be retained by the Lessor; and on the Termination Date, the Lessee shall pay to the Lessor (i) the excess, if any, of the Casualty Value for the Units computed as of such date over the sale price of the Units after the deduction of all expenses incurred by the Lessor in connection with the sale, and (ii) the rental payment for the Units due on the Termination Date. The Lessor, however, by written notice to the Lessee given prior to the Termination Date, may elect to retain the Units, in which case (i) the Lessee shall not be obligated to pay the Casualty Value of the Units to the Lessor, except to the extent that the Casualty Value of the Units computed as of the Termination Date exceeds the Fair Market Value (as hereinafter defined and determined) of the Units on such date, and (ii) the Lessee shall deliver the Units to the Lessor in accordance with § 14 (except as aforesaid as to the condition of the Units).

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor, the Vendor and the Owner (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and identifying numbers of all Units then leased hereunder and covered by the CSA, the amount, description and identifying numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Vendor may reasonably request and (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the CSA have been preserved or replaced and (b) a certification or verification of

insurance coverage from the Lessee's independent broker stating the amounts of insurance in effect with respect to the Equipment pursuant to § 7 hereof and the amount of deductible. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease, but the Lessor shall have no obligation to do so.

The Lessee shall promptly notify the Lessor, the Owner and the Vendor of (a) any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof and (b) any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR NEITHER MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Items 3 and 4 of Annex A to the CSA; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and expense, such claims and rights. The Lessor

shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Vendor, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads (which term shall include any successor organization thereof), if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, maintenance, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof, the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessee, adversely affect the property or rights of the Lessor, the Owner or the Vendor under this Lease or under the CSA. The Lessee's obligations under this paragraph subsequent to the expiration of the lease term or the extended term shall be limited solely to maintenance of the

Units in accordance with Applicable Laws prior to and as of the date of the expiration of the Lease. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements, whether or not removable (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Applicable Laws) (collectively "Additions"), to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads. Title to all Parts (as hereinbelow defined) incorporated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien and prior perfected security interest under the CSA in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original Part; (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of § 7 hereof or the terms of the first sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations, replacements, modifications or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to the Lessor pursuant to § 14 hereof. The term "Part" for the purposes of this paragraph shall be defined

to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to pay, and to indemnify, protect and hold harmless the Lessor (in both its individual and fiduciary capacities), the Owner and the Vendor from and against, all claims, causes of action, losses, damages, liabilities, expenses (including fees and expenses of attorneys) and costs (including claims, causes of action, losses, damages, liabilities, expenses and costs, both for strict liability in tort, and for negligence, either active or passive, which shall not have occurred because of a wrongful act of such indemnified person) incurred in any manner by or for the account of any of them (i) relating to any Unit, including the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Unit or as a result of the use, maintenance, repair, replacement, operation or condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) by reason or as the result of any act of omission (whether negligent or otherwise) of the Lessee, for itself or as agent or attorney-in-fact for the Lessor hereunder, or any act or omission of the Lessor or (iii) as a result of claims for patent, trademark or copyright infringements (all of which matters indemnified against pursuant to this sentence are collectively called the "Indemnified Matters"), except for any matter described above caused by any act or omission of the Lessor not related to transactions contemplated by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an Indemnified Party in violation of the provisions of its Documents. The amount the Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the indemnified person sufficient to restore such person to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that such indemnified person would have been in had the Indemnified Matter not been incurred. The Lessee shall be obligated under this § 9, irrespective of whether any indemnified person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the indemnified person seeking to enforce its indemnification hereunder may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both individually and in its fiduciary capacity) and the Vendor and the Owner, as third-party beneficiaries hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Vendor, the Owner or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee and not manufactured by the Builder or of any design, system, process, formula or combination specified by the Lessee and not developed or purported to be developed by the Builder which infringes or is claimed to infringe on any patent or other right. The Lessee will give notice to the Builder of any claim known to the Lessee from which liability may be charged against the Builder with respect to the foregoing.

The Lessee shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units.

The Lessee shall prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor or Owner) any and all reports (other than tax returns, except as otherwise provided in § 6 hereof) to be filed by the Lessor or Owner with any Federal, state or other regulatory authority by reason of the ownership by the Lessor or the Vendor of the Units, or the leasing thereof to the Lessee.

None of the indemnities in this § 9 shall be deemed to create any rights of subrogation, from or under any indemnified person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the CSA or a guarantee of the residual value of the Units. The indemnities contained in this § 9 shall survive the expiration or termination of this Lease and return of the Units as provided in § 14 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any indemnified person.

Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such indemnified person (except against another indemnified person) in respect of the matter against which indemnity has been given and (ii) any payments received by such indemnified person from any person (except the Lessee) as a result of any matter with respect to which such indemnified person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in § 3, § 7 or § 13 hereof, and such default shall continue for five days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest herein, or of the right to possession of the Units, or any thereof, and the Lessee fails to secure a reassignment or retransfer to the Lessee of such Lease, interest or right for more than 30 days after the earlier of (a) receipt of demand in writing from the Lessor, or (b) any executive officer of the Lessee or any other officer of the Lessee having responsibility for financial, accounting or operating matters (a "Lessee Officer") has actual knowledge of such assignment or transfer;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement, and such default shall continue for more than 30 days after the earlier of (a) notice from the Lessor or the Vendor to the Lessee specifying

the default and demanding that the same be remedied or (b) a Lessee Officer has actual knowledge of such default;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed

(whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of

days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over, if such Unit shall have been sold, the net proceeds of sale, or, if such Unit shall not have been sold, the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 9.67% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sale value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) or (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor, and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to §§ 6 and 9 hereof) as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, for all damages and expenses sustained by reason of Lessee's default or any covenant, representation or warranty hereunder other than for the

payment of rent, and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit and in connection with any suit to enforce Lessor's rights hereunder.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Vendor and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in 11 U.S.C. § 1168 or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization, subject to the provisions of 11 U.S.C. § 1168 or any such comparable provision.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further exercise thereof, or the exercise of any other right, power or privilege.

If the Lessee fails to perform or comply with any

agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (A) or (C) of this § 10, the Lessor may (but shall not be required to), upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 16-1/8% per annum, or if such rate is not legally enforceable then at the highest legally enforceable rate, shall be payable to the Lessor by the Lessee upon demand. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor against the Lessee hereunder or be deemed to cure a default by the Lessee hereunder.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by the first sentence of § 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of § 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor but in no event later than the later of (i) 30 days after the payment in full of all CSA Indebtedness and other sums due under the CSA, and (ii) a storage period of 120 days following notification by the Lessee to the Lessor that 75% of the Units have been

delivered for storage (or with respect to any Unit not delivered at the time of such notification, 120 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage); and

(c) transport the same to any reasonable place, without charge (i) on the lines of railroad operated by the Lessee or any of its affiliates, or (ii) for interchange to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. Anything to the contrary contained in this § 11 notwithstanding, the Lessee shall have no obligation under clause (b) or clause (c) of the first sentence of § 7 hereof after the later of (i) the payment in full of all CSA Indebtedness and all other sums due under the CSA and (ii) the earlier of the Lessor's disposition of the Units and the scheduled date of expiration of any term of this Lease. At the request, expense and risk of the Lessor, the Lessee will continue to store any Unit beyond the storage period determined pursuant to clause (b) of this § 11, but such storage shall be at the risk and expense of the Lessor. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

Without in any way limiting the foregoing obligations of the Lessee under this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver posses-

sion of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use; Liens.

This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as (i) no Event of Default exists hereunder, (ii) the Lessee is complying with the provisions of the Consent, and (iii) the Vendor is entitled to apply the Payments (as defined in the Lease Assignment) to satisfy the obligations of the Lessor under the CSA (notwithstanding any limitation of the Lessor's liability in the CSA) in accordance with the Lease Assignment, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Vendor, the Lessee may sublease (which sublease by its terms shall be subject to the rights and remedies of the Lessor and the Vendor hereunder) the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Vendor's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional

service in Canada and Mexico shall be permitted so long as such service in Canada and Mexico does not involve regular operation and maintenance outside the United States of America; provided further, however, that no such sublease or use shall be to or by any person if, as a consequence thereof, such Unit would not qualify as "Section 38 property" within the meaning of the Code and provided further, however, that no such sublease shall be permitted without the prior written consent of the Lessor and the Vendor if, at the time of entering into or renewing such sublease, there has been a material adverse change in the properties, business or condition (financial or otherwise) of the Lessee from December 31, 1980. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any state thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Vendor hereunder which shall be and remain those of a principal and not a surety; and provided further that the net worth of such assignee, lessee or transferee immediately after such merger, consolidation, lease or acquisition, shall not be less than that of Lessee immediately before such merger, consolidation, lease or acquisition. The consent of Lessor and the Vendor must be obtained for any other assignment or transfer by Lessee, and any such assignment or transfer made without such consent shall be void. No such other assignment or transfer by Lessee shall relieve Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety. Any foreclosure by a secured party on the rights of the Lessee, as lessee, under the Lease in and to the Equipment shall be an unauthorized assignment or transfer of the Lease for purposes of § 10(B) hereof.

The Lessee, at its own expense, will pay, or satisfy and discharge: (i) any claim arising against, through or under the Lessee and its successors and assigns which, if unpaid, might constitute or become a lien, charge, security interest or other encumbrance upon or with respect to any Unit (unless otherwise expressly permitted by this Lease); (ii) any lien, charge or other encumbrance which may be levied against or imposed upon any Unit as a result of the failure of the Lessee to perform or observe any of its covenants under this Lease; and (iii) any other lien, charge or other encumbrance which arises by virtue of claims against, through or under any party other than the Lessor (except any such claim caused by the negligence or the Lessor) or the Owner. Such obligations shall survive the expiration or earlier termination of this Lease and the return of the Units as to all such claims, liens, charges, security interests, or other encumbrances arising prior to such expiration or termination and return. Notwithstanding the foregoing, the Owner shall have no right to receive any payment from the Lessee in the nature of an indemnity payment with regard to the foregoing to the extent that the Owner shall have recourse to the Lessor for the amount of such payment under the Trust Agreement or otherwise. The foregoing covenant, however, will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent. The Lessee, however, shall be under no obligation to discharge any such lien, charge, security interest or other encumbrance so long as it shall be contesting the same in good faith and by appropriate legal proceedings, and the failure to discharge the same shall not, in the opinion of the Lessor or the Vendor, as the case may be, adversely affect the title, property or rights of the Lessor hereunder or of the Vendor under the CSA and the Lease Assignment.

§ 13. Right of Renewal; Duty to First Offer.
Provided that this Lease has not been earlier terminated and the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not less than 180 days prior to the end of the original term of this Lease, elect to extend the term of this Lease in respect of all but not fewer than all the Units then covered hereby, for one period of five years (the "extended term") commencing

on the scheduled expiration of the original term of this Lease.

The extended term of the Lease shall be on the same terms and conditions as are contained in the Lease, except (x) as to the amount of rentals, which shall be at a Fair Market Rental (as hereinafter defined) payable, in arrears, in semiannual payments on the dates on which such rentals were payable for the Units in each year of the original term and (y) that the Casualty Value of each Unit on the first of the 10 semiannual rental payment dates during the extended term shall be the Fair Market Value (as hereinafter defined) of such Unit on the date of commencement of the extended term, the Casualty Value of each Unit on the last of such payment dates shall be the estimated projected Fair Market Value of such Unit on the last day of the extended term (provided that such estimated projected Fair Market Value shall not be greater than the Fair Market Value of such Unit on the date of commencement of the extended term), and the Casualty Values of each Unit on the remaining 8 payment dates shall be determined on a straight-line basis between the Fair Market Values on the first and the last payment dates.

Provided that this Lease has not been earlier terminated and that no Event of Default under this Lease (or other event which after lapse of time or notice or both would become an Event of Default under this Lease) shall have occurred or be continuing, in the event the Lessor elects to sell any Units to third parties at the expiration of the original or the extended term of this Lease, the Lessee shall be given written notice of such intention (and written notice of the Lessor's estimate of the Fair Market Value of the Units) at least 30 days prior to the expiration of such term. The Lessee shall have the sole right and option to purchase all but not less than all the Units then subject to this Lease at the Fair Market Value of such Units. The Lessee may exercise such purchase right by delivery to the Lessor of a written notice within 10 days of receipt of notice from the Lessor, indicating whether it accepts the Lessor's estimate of the Fair Market Value of the Units or that such Fair Market Value shall be determined in accordance with the appraisal procedure set forth

below, and specifying a date of purchase not later than the latest of (i) 30 days after the date of delivery of such notice by the Lessee to the Lessor, (ii) 90 days after the expiration of such term of this Lease or (iii) 10 business days after completion of the appraisal procedure, if applicable. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay rent) shall be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase. If the Lessee does not deliver such notice to the Lessor, all obligations of the Lessor under this paragraph shall terminate.

Upon payment of the Fair Market Value of any Unit (or such other purchase price as is provided for herein), pursuant to an exercise by the Lessee of its right to purchase such Units, the Lessor shall execute and deliver to the Lessee, or upon request of the Lessee, to the Lessee's assignee or nominee, (i) a bill of sale (without warranties, except as hereinafter provided in this clause (i)) for such Units such as will transfer to the Lessee title to such Units free and clear of all claims, liens, security interests and other encumbrances created by or arising through the Lessor or the Owner, other than claims, liens, security interests and encumbrances which the Lessee is obligated to pay or discharge under or pursuant to this Lease and (ii) an opinion of counsel (who may be in-house counsel of the Owner) satisfactory to the Lessee, to such effect. Notwithstanding the foregoing, if any Units so purchased are to be sold to the Lessee under a conditional sale agreement, the Lessor shall have the right to retain a security interest in such Units until such time as all payments in respect thereof have been made.

The Fair Market Rental and Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the cash rental or the purchase price (as of such date as the context herein requires), as the case may be, which would obtain in an arm's-length transaction between an informed and willing lessee or purchaser, as the case may be (other than a lessee or purchaser currently in possession), and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, but there shall be excluded from such determination any rental or purchase value attributable to additions, modifications and improvements which the

Lessee is entitled to remove pursuant to § 9 hereof; provided, however, that Fair Market Rental shall be determined on the basis of the term and other terms and conditions of the lease being considered. In making such determination, costs of removal from the location of current use shall not be a deduction from such rental or purchase price and it shall be assumed that the Units have been collected in one place on the lines of the Lessee as directed by the Lessor. If, after 20 days from the giving of notice by the Lessee of the Lessee's election to extend the term of this Lease or the giving of notice by the Lessor that it intends to sell the Units, as aforesaid, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental or Fair Market Value of the Units, such rental or purchase price shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such rental or purchase price by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is so appointed within 15 business days after such notice is given, each party shall appoint an independent appraiser within 20 business days after such notice is given, and the two appraisers so appointed shall within 25 business days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within 25 business days after such notice is given, either party may request the American Arbitration Association to make such appointment, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental or the Fair Market Purchase Price, as the case may be, of the Units then subject to this Lease, within 30 days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental or Fair Market Purchase Price, as the case may be, of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental or Fair Market Purchase Price, as the case may be. The appraisal

proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental or Fair Market Purchase Price, as the case may be, and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. Except as otherwise provided herein, the Lessee and the Lessor shall equally share all appraisal procedure expenses.

§ 14. Return of Units upon Expiration of Term.
As soon as practicable on or after the expiration of the original or the extended term of this Lease with respect to any Unit, the Lessee will, at its own cost, expense and risk, and at the request of the Lessor, deliver possession of such Unit, if not purchased by the Lessee, to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate in such city on the lines of the Lessee at any reasonable place east of the Missouri River, as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may reasonably select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 60 days following notification to the Lessor by the Lessee that 75% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 60 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and transport the same, at any time within such 60-day period, to any reasonable place east of the Missouri River on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by the Lessor and the Lessee (except that the Lessor may require that no more than 175 Units be transported as provided herein, during any 30-day period), the movement and storage of such Units to be at the expense and risk of the Lessee (which shall during such period maintain the insurance required by § 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or

user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this § 14, each Unit returned to the Lessor pursuant to this § 14 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) be in the condition required by the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) in the condition required by the first sentence of § 7 hereof. Notwithstanding anything to the contrary contained in this § 14, (i) the Lessee shall have no obligation under clause (b) of the first sentence of § 7 hereof to comply with any provision of any law or regulation which becomes effective after expiration of the original or the extended term of this Lease and (ii) the Lessee shall have no obligation under clause (c) of the first sentence of § 7 hereof with respect to any Unit after the later of (x) expiration of the original or the extended term of this Lease and (y) delivery of a Unit into storage as provided above. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In addition, for each day, after termination of this Lease and prior to delivery of a Unit into storage as provided above, that such Unit is located on lines of railroad operated by the Lessee, the Lessee shall pay to the Lessor the per diem rental for such Unit prescribed by the Interstate Commerce Commission; provided, however, that no payment shall be required with respect to any Unit for the first 30 days on which such Unit is located on lines of railroad operated by the Lessee.

§ 15. Recording. The Lessee, at its own expense, will cause this Lease, the CSA and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of

Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the CSA and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the CSA and the assignments hereof and thereof to the Vendor; and the Lessee will promptly furnish to the Vendor and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 15, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. This Lease and the CSA, and the assignments thereof, shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 16. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate of 17-1/2% per annum, or, if such rate is not legally enforceable, then at the highest legally enforceable rate. Except as otherwise expressly provided herein, interest hereunder shall be determined on the basis of a 360-day year of 12 30-day months.

§ 17. Notices. Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when mailed, by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department; and

(b) if to the Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Vendor at P. O. Box 2258, Two Hopkins Plaza, Baltimore, Maryland 21203, Attention of Corporate Trust Department, and to the Owner, at 3629 Mellon Bank Building, Pittsburgh, Pennsylvania 15219.

§ 18. Severability; Effect and Modification of Lease; Third-Party Beneficiaries. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor and the Lessee.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Owner, the Agent, the Investors, the Builder and their permitted successors and assigns and those of a party hereto), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 19. Immunities. Anything herein to the contrary notwithstanding, each and all of the representations, warranties, undertakings and agreements herein made on the part of the Lessor are made and intended not as personal representations, warranties, undertakings and agreements by The Connecticut Bank and Trust Company for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by the said bank not in its own right but solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and except in the case of wilful misconduct or gross negligence by said bank, no personal liability or

personal responsibility is assumed by or shall at any time be asserted or enforceable against said bank or the Owner hereunder (except, with respect to the Owner, pursuant to § 1.03 and the last paragraph of § 5.01 of the Trust Agreement and, with respect to the Lessor, pursuant to §§ 4.01 and 4.02 of the Trust Agreement), on account of this Lease or the Trust Agreement or on account of any representation, warranty, undertaking or agreement of said bank or the Owner hereunder, either expressed or implied, all such personal liability (except as aforesaid), if any, being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

§ 20. Definitions. If and so long as this Lease is assigned to the Vendor (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Vendor and any successors thereto unless the context shall otherwise require and except that the Vendor shall not be subject to any liabilities or obligations under this Lease; and the fact that the Vendor is specifically named in certain provisions shall not be construed to mean that the Vendor (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named.

§ 21. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Vendor shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by both the parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 22. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several

jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

[Corporate Seal]

Senior Vice President

Attest:

Assistant Secretary

THE CONNECTICUT BANK AND TRUST
COMPANY, not individually but
solely as Trustee,

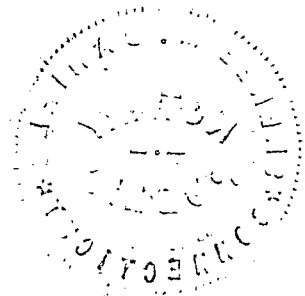
by

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer



STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of April 1981, before me personally appeared , to me personally known, who, being by me duly sworn, says that he is a Senior Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission Expires

STATE OF CONNECTICUT,)
) ss.:
COUNTY OF HARTFORD,)

On this *20th* day of April 1981, before me personally appeared **M. J. RISTER**, to me personally known, who, being by me duly sworn, says that he is an Authorized Officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Trustees, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Sherree M. Daniels

Notary Public

[Notarial Seal]

My Commission Expires

L-42

SHEREE M. DANIELS
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1985

SCHEDULE A

Specifications of the Equipment

<u>Type</u>	<u>Builder</u>	<u>Quantity</u>	<u>Lessee's Identification Numbers (Both Inclusive)</u>
3300 cu. ft. covered hopper cars;	Greenville Steel Car Company	350	CNW169000 through CNW169349
AAR mechanical designation: LO			

SCHEDULE B

Casualty Value Percentage Schedule

<u>Rental Payment Date</u>	<u>Percentage of Purchase Price*</u>
August 1, 1982	114.26547
February 1, 1983	117.54364
August 1, 1983	117.13667
February 1, 1984	119.66503
August 1, 1984	119.18457
February 1, 1985	114.86909
August 1, 1985	114.29928
February 1, 1986	115.47169
August 1, 1986	114.79874
February 1, 1987	109.22790
August 1, 1987	108.44038
February 1, 1988	108.46274
August 1, 1988	107.55188
February 1, 1989	100.94714
August 1, 1989	98.76414
February 1, 1990	96.68523
August 1, 1990	94.32488
February 1, 1991	91.93273
August 1, 1991	89.42557
February 1, 1992	86.88377
August 1, 1992	84.23591
February 1, 1993	81.55110
August 1, 1993	78.76602
February 1, 1994	75.94317
August 1, 1994	73.02755
February 1, 1995	70.07522
August 1, 1995	67.03968
February 1, 1996	63.97082
August 1, 1996	60.83088
February 1, 1997	57.59997
August 1, 1997	54.18932
February 1, 1998	50.62207
August 1, 1998	46.86215
February 1, 1999	42.92443
August 1, 1999	38.77934
February 1, 2000	34.43344
August 1, 2000	29.86361
February 1, 2001	25.06799
August 1, 2001	20.00000

* As defined in Article 4 of the CSA.

SCHEDULE C

Certificate of Inspection and Acceptance

To: The Connecticut Bank and Trust Company,
acting as Trustee (the "Lessor") under a
Trust Agreement
One Constitution Plaza
Hartford, Connecticut

I, the duly authorized representative for the
Lessor and Chicago and North Western Transportation Company
(the "Lessee") under the Conditional Sale Agreement and the
Lease of Railroad Equipment, both dated as of March 15,
1981, do hereby certify that the following Units of Equip-
ment have been inspected and I have accepted delivery of such
Units thereunder:

TYPE OF EQUIPMENT:
DATE ACCEPTED:
NUMBER OF UNITS:
LESSEE'S ROAD NUMBERS:

I do further certify that the foregoing Units are
in good order and condition, and appear to conform to the
specifications, requirements and standards applicable thereto
as provided in Article 2 of the aforesaid Conditional Sale
Agreement.

I do further certify that each of the foregoing
Units has been marked by means of a stencil printed in con-
trasting colors upon each side of each such Unit in letters
not less than one inch in height as follows:

"Ownership Subject to a Security Agreement Filed
with the Interstate Commerce Commission"

The execution of this Certificate will in no way
relieve or decrease the responsibility of Greenville Steel
Car Company for any warranties it has made with respect to
the Equipment.

Authorized Representative of
Lessor and Lessee